2003 ANNUAL REPORT

Manitoba Civil Service Superannuation Board

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For more information ...

You may make an appointment to view any of the following at The Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- a copy of The Civil Service Superannuation Act (Act) and all amendments
- the Annual Information Return submitted each year to the Pension Commission of Manitoba
- a copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

Client services provided throughout Manitoba

Individual Consultations

- private, personalized information service
- appointments should be made in advance to avoid delays

Pre-Retirement Planning Seminars

- one day sessions for employees planning to retire
- discussion includes benefits and lifestyle adjustment
- spouses are encouraged to attend

Benefit Information Seminars

- 2–3 hours duration
- focus on pension and group insurance

To arrange for any of the above services in your area please contact

Civil Service Superannuation Board

1200-444 St. Mary Ave.
Winnipeg MB R3C 3T1

Telephone: (204) 957-8722
Fax: (204) 945-0237
Canada-Wide Toll-Free Number: 1-800-432-5134

World Wide Web page: www.cssb.mb.ca
E-mail: askus@cssb.mb.ca

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Letter to the Lieutenant Governor

MINISTER RESPONSIBLE
FOR THE CIVIL SERVICE SUPERANNUATION ACT

May 16, 2004

To The Honourable Peter M. Liba
Lieutenant Governor of Manitoba

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May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 65th Annual Report of the Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2003.

Respectfully submitted,

HONOURABLE GREG SELINGER
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act

Letter to the Minister

Manitoba

The Civil Service Superannuation Board

1200-444 St. Mary Ave. Winnipeg, Manitoba R3C 3T1 CANADA

May 16, 2004

Honourable Greg Selinger
Minister of Finance
Minister Responsible for
The Civil Service Superannuation Act
Room 103 Legislative Building
Winnipeg MB R3C 0V8

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 65th Annual Report of the Manitoba Civil Service Superannuation Board.

This report covers the period January 1, 2003 to December 31, 2003 and includes a review of the Board's activities for that period as well as the Report of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

GARY N. COOPLAND, CHAIR
Civil Service Superannuation Board

Board Members

Chair

Gary N. Coopland
Retired Vice-President Investments, The Great-West Life Assurance Company

Employee Representatives

Barry Baltessen (UNTIL AUG. 31, 2003)
Manitoba Hydro – Electric Board
Manitoba Hydro Representative

Ray Erb
MGEU
Civil Service Representative

Denis Fitzpatrick (UNTIL AUG. 31, 2003)
Interlake Regional Health Authority
Civil Service Representative

Katherine Johnson (EFFECTIVE SEPT. 1, 2003)
Industry, Economic Development, and Mines
Civil Service Representative

Bill Loxton (EFFECTIVE SEPT. 1, 2003)
Manitoba Hydro – Electric Board
Manitoba Hydro Representative

Susan Rusk
Intergovernmental Affairs and Trade
Civil Service Representative

Employer Representatives

Tom Bleasdale
Retiree

Gabriel Forest, F.C.A.
Chartered Accountant

Carmele Peter
Solicitor

Dr. Les Ullyot
Medical Doctor

CSSB Management

Robert H. Covernton
General Manager

Allen Borle
Director, Finance

Robert Derksen
Director, Communications and Client Services

Dean Lash
Director, Investment Communications and Management Services

Robert Riddell
Director, Management Information Systems

Bruce Schroeder
Director, Client Services Administration

Lindsey Fuller, C.F.A.
Chief Investment Officer

Ellement and Ellement Ltd.
Consulting Actuary

Finance and Audit Committee

Gabriel Forest, F.C.A.
Chair, Chartered Accountant

Carmele Peter
Solicitor

Katherine Johnson
Industry, Economic Development, and Mines
Employee Representative

Compensation Review Committee

Gary N. Coopland
Chair

Tom Bleasdale
Retiree

Bill Loxton
Manitoba Hydro – Electric Board
Employee Representative

Civil Service Superannuation Board

THE BOARD has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all present and future Plan members, pensioners and beneficiaries. It is also responsible to

- ensure that the staff fulfill the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- delegate the day-to-day management to the General Manager and staff
- provide overall direction and approval of policy items

These duties are vested in nine members, four of whom are elected by participating employees, and four members and a chairperson who are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan trustee, the Board is required to

- manage The Civil Service Superannuation Fund (Fund) in accordance with the rules of the Pension Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- obtain an actuarial valuation every three years
- regularly review its investment policy
- obtain an independent audit each year
- prepare an Annual Report

Organizational Structure

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of 45 staff members, who are also members of the Fund.

Highlights

Civil Service Superannuation Board Annual Report

Financial ($) THOUSANDS	2003	2002
Market Value of Investments	**$2,625,553**	$2,300,348
Net Investment Income	$88,475	$103,158
Investment Rate of Return	**13.4%**	1.5%
Employee Contributions	$72,744	$71,526
Employer Payments	**$83,080**	$77,794
Pension Benefits Paid	$166,733	$154,417
Refunds and Transfers	**$12,167**	$14,358
Administrative Expenses	$2,588	$2,127
Investment Expenses	**$3,142**	$2,490
Membership		
Employees and Former Employees	**28,132**	27,867
Pensioners and Beneficiaries	12,454	11,925
Total Members	**40,586**	39,792
Other Entities Under Administration		
Centra Gas (Active and Retired)	**910**	840
Money Purchase Plan	1,268	1,121
Manitoba Telecom Services Inc. (Active and Retired)	**6,050**	6,392
MLA's (Active and Retired)	120	123
Total Membership (All Plans)	**48,934**	48,268

Message from the Chair

Gary N. Coopland

Good governance is an essential component to the prudent management of any organization. The Board's main focus is on providing you with a superior benefits program both through outstanding administration and exemplary investment management. Investing can at times be quite a challenge and events around the globe certainly don't make it any easier. In 2003, we were impacted by SARS, mad cow disease, the war in Iraq and the strong Canadian dollar to name a few.

World events impact investment markets. Proper and prudent diversification of your pension fund assets go a long way to reduce the impact of such volatility. In 2003, the Fund's return of 13.4% earned it $23.5 million above Policy expectations. In the last three years alone, outstanding investment performance has garnered the Fund an additional $239.5 million.

The Board, through its real estate, mortgage, and venture capital holdings, continues to show a strong commitment to investing in Manitoba. We will, as in the past, review all Manitoba opportunities as they arise as long as they meet prudent investing standards.

The Board retains a team of administrative and investment professionals that possess the skills and requisite knowledge that provides you with a strong benefits program and investment returns. They work tirelessly in managing

your Fund. With that in mind, on behalf of the Board and myself, I'd like to commend all Board staff for an excellent job in 2003.

GARY N. COOPLAND
Chair

General Manager's Message

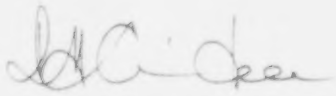
Robert H. Covernton

The ability to administer a pension plan in a cost-effective, efficient manner is becoming more challenging with the pressures of the investment markets, heightened demands from regulators, and increased expectations on the part of stakeholders and members of the Board. These challenges are met by a strong team of professionals that are encouraged to continue their growth through education and training programs, in addition to continuing their pursuit for advanced technological improvements.

More Online Services and options continue to be offered to our stakeholders, allowing you the comfort and flexibility to take time to review your benefit entitlements at your own leisure. Our team's dedication allows us to be responsive to your needs and provide improved cost-efficient benefits administration. On average, the turnaround time for your requests is about one to two days, very favourable when compared to our peers.

The Board's Investment Committee together with the Investment Management team strive to use their skills and a disciplined approach to optimize long-term investment returns, recognizing that they will periodically encounter difficult short-term markets. The Fund's return in 2003 was 13.4%, the best in the last seven years. Not only did the Fund experience significant gains during the year, but it was also one of the top six best performing funds of any Canadian pension fund in the Pension Investment Association's Survey in the prior year.

Increases in the value of the Plan are important to the ongoing success of any benefits administration. In addition, the Board's Administrative and Investment Management teams work together as an ideal complement to provide you with a solid benefits program. With this in mind, I'd like to thank each of the individuals that serve you everyday for their commitment to good governance and to the strength of your benefits programs.



ROBERT H. COVERNTON
General Manager

Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

Committee Members

G. N. Coopland – Chair, Investment Committee** and CSSB
(retired Vice-President Investments,
The Great-West Life Assurance Company)

R. E. Archer – Retired Executive Vice-President Investments and Trusts,
Investors Group (past CSSB Chair)*

R. H. Covernton – General Manager, CSSB**

C. E. Curtis – Retired Deputy Minister of Finance, Province of Manitoba*

R. Erb – Civil Service Representative (employee representative)**

J. P. Gannon – Deputy Minister of Finance, Province of Manitoba**

S. Susinski – Financial Advisor*

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

V. Warden – Vice-President, Finance and Administration and
CFO, Manitoba Hydro-Electric Board

* appointed based on investment expertise
** required by legislation

Investment Report

Policies and Procedures

The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision-making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into effect and is monitored for compliance. The SIP&P includes such things as appropriate asset mix limits, investment grade quality, holding limits, investment objectives, valuation procedures and investment management structure.

Investment Decisions Reflect Policies and Procedures

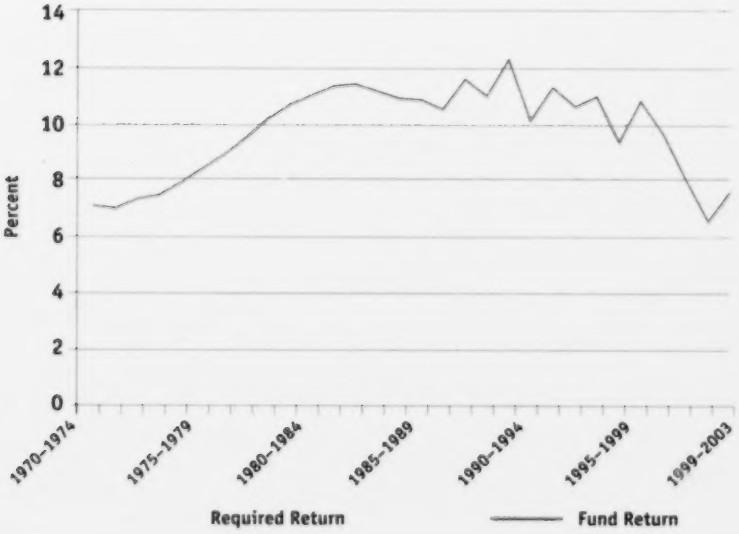
Asset mix is the single most important factor determining pension fund performance. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns are generally a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes and across the world's economic regions.

During 2004, the SIP&P will be reviewed by independent consultants. This process will assist the Board in assessing if its investment guidelines continue to meet today's needs.

Long-Term Success of Investment Policy

The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations of its members. An Actuarial Valuation on the Fund, which is conducted every three years, is the best measure of this obligation. With the exception of 2002, the Fund's 5-year moving rate of return has consistently exceeded actuarial requirements over the past 30 years. Even in 2002 when the Fund's rate of return may have been below required levels, it was one of the best performing pension funds in Canada. The following chart displays how well Fund performance has met its requirements.

5 Year Moving Average

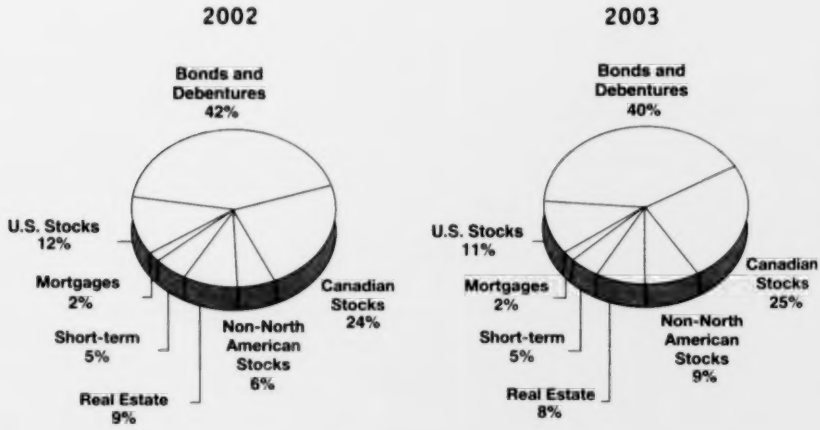


Governance

Investment Committee Ensures Policy Compliance

Good corporate governance is a key element of the Board's mandate. Policies and procedures such as Proxy Voting, specific Manager Mandates, Professional Conduct Policies and Privacy Legislation, to name a few, are all established in order to support the Board's actions. The Chief Investment Officer and the Board's Investment Committee monitor compliance of the Fund's asset mix with the SIP&P. Compliance with all policies is also monitored independently by a department of investment and accounting professionals.

Fund Investments (at Market Value)



Asset Classes and Their Performance

Calculation Methodology

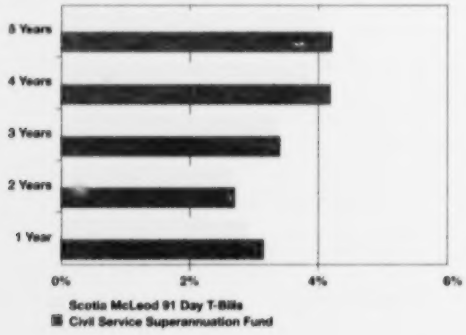
The returns are time-weighted rates of return before fees and expenses. They are calculated in accordance with the methodology recommended by the Association for Investment Management and Research, and have been audited by Deloitte & Touche LLP.

Total Fund

The Fund's return of 13.4% was the strongest in 7 years, increasing the 5-year moving average up to 7.45% from 6.49%, comfortably above the actuarially assumed return of 6.75%. At 13.4%, the Fund outperformed its benchmark or expected return of 12.3%. This was accomplished through asset mix decisions to underweight U.S. equities and strong performance from the Board's internal managers in all asset classes. For the three years 2001 to 2003, the cumulative value added from strong investment performance versus expected returns based on the Board's Policy was 379 basis points (bps) or $239.5 million, which equals more than 9% of Fund assets.

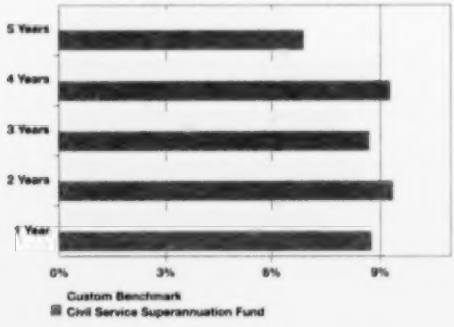
Cash and Short-term

The money market portion of the Fund generated a return of 3.2%, which resulted in a 25 bps outperformance over the Scotia McLeod 91-day T-Bill index.



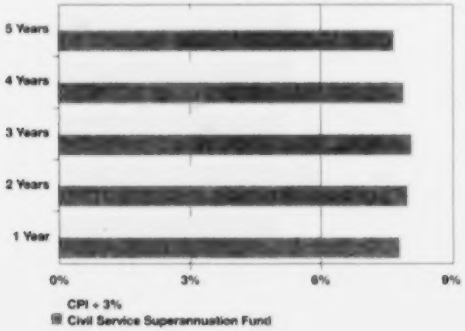
Bonds and Debentures

Bond yields experienced tremendous volatility during the year. The bond portfolio was able to exploit the interest rate volatility and benefited from the general tightening of credit spreads. Due to these influences, the portfolio returned 8.8% versus its custom benchmark of 7.5%.



Real Return

Products such as Index-Linked Mortgages remain a designated vehicle to fund the Cost-of-Living Account (COLA) for future benefits. Real return investments earned 7.8% in 2003 when compared to its benchmark of 5.0%.



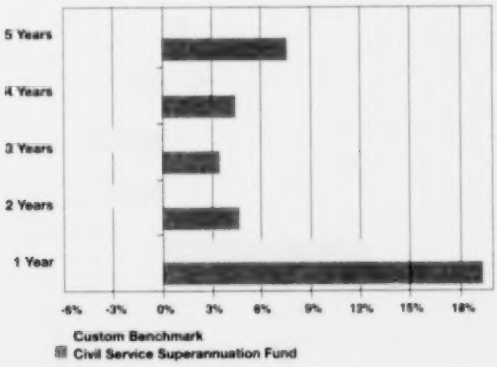
Total Equity

The indices used to measure the performance of the Fund's stock portfolio are Canada's S&P/TSX 5% Capped Index (S&P/TSX 5% Cap), the U.S. Standard & Poor's 500 Index (S&P 500) and The Morgan Stanley Capital International Index for Europe, Australia and Far East (MSCI EAFE). Based on the Fund's SIP&P, an assumed equity mix of 24% Canadian, 16% U.S. and 9% EAFE countries for total Fund assets is considered normal. As a percentage of total equity investments, this translates into 49% Canadian, 33% U.S. and 18% EAFE countries. This is referred to as the benchmark for total equities.

During the year, there was a considerable amount of activity in the equity portion of the Fund. One of the Board's external EAFE managers was replaced after a lengthy review. Furthermore, a new mandate was integrated into the Fund around the same time when an emerging markets manager was hired. Both moves proved to be positive as the new EAFE manager outperformed its benchmark by a considerable margin and emerging markets became a superior performing asset class.

In addition, a long-term relationship was terminated with an external Canadian equity manager towards the end of 2003. The internally managed U.S. equity portfolio also was funded with some cash reserves early in the year and, along with its internal Canadian equity counterpart, provided considerable value added above their respective benchmarks.

The Fund earned 19.3% on its entire equity portfolio while its Policy benchmark return was closer to 12.5% over the same period. Most of this outperformance was derived from the Canadian, Asian (x-Japan) and emerging markets.

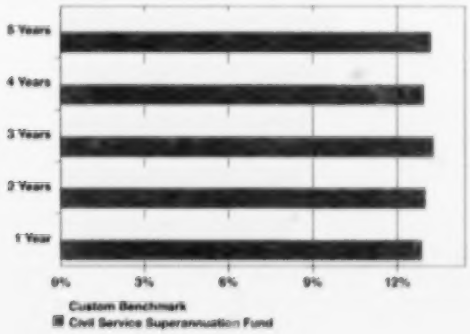


Real Estate

Two major property sales took place during the year with negotiations on three others early in the new year. The real estate market presented sales opportunities to achieve very high prices on assets that were felt to have limited upside potential.

Furthermore, with the Board's partners, major redevelopment work took place on several properties including Crossroads Station in Winnipeg and Bramlea City Centre Mall in Brampton. The Board is also spearheading two major developments on Cambie Street in Vancouver that, if approved, would be completed in time for the 2010 Olympics.

The Board diversifies its real estate across the country. Its Manitoba holdings at the end of the year amount to 18% of the real estate portfolio.



Investing For Growth and Stability

Fund Investments

($) THOUSANDS	2003	2002
Contractual Investments		
Cash and Short-term	**$137,974**	$123,931
Bonds and Debentures		
Canadian/Federal/Provincial	**682,916**	613,692
Corporate	**318,666**	339,015
Asset-backed	**51,163**	11,955
Mortgages		
NHA	**35,760**	38,252
Conventional	**4,055**	7,323
Pooled	**–**	665
Equity Investments		
Canadian Stocks	**664,598**	553,767
U.S. Stocks	**291,048**	262,102
Non-North American Stocks	**227,368**	145,038
Real Estate	**212,005**	204,608
Total Investments	**$2,625,553**	$2,300,348

Investment Strategy Overview

Contractual Investments

- Relatively high cash reserves were maintained during the year awaiting more reasonably priced stocks
- Underweighted the bond portion of the Fund
- Strong selection in the bond portfolio

Equity Investments

- Maintained an underweight position in the Canadian markets
- Maintained an underweight position in U.S. and international markets
- Introduced an emerging markets component to the Fund

After three dismal years, 2003 finally produced positive returns for equity markets. The removal of uncertainty surrounding war in Iraq, sizeable fiscal stimulus in the U.S. and very aggressive monetary policy in North America, the UK and Japan, all provided the impetus for the pickup in consumption. This had a strong impact on bottom line profits as companies generally avoided adding labour and continued to maintain costs by outsourcing.

Each asset class contributed to this year's outperformance. At the beginning of the second quarter, we created an emerging markets portfolio to compliment the Asian portfolio. This had a positive impact on returns, returning 37.7%. Underweighting non-Canadian assets added value as the strong Canadian dollar reduced Canadian dollar returns on these assets. Once again, all of our in-house managed portfolios made positive contributions to the Fund's outperformance. The Board's oil and gas arm, Superman Resources Inc., was quite active in 2003 with a major acquisition at mid-year and consequently a rationalization of the small, non-core properties. Good returns are expected to continue for this investment in the future.

While there was an underestimation of the strength of the rebound in equity markets last year, many long-term concerns remain in effect. It is unprecedented to see such a strong return to speculative assets so soon after the type of severe decline witnessed from 2000 to early 2003. Much of the various equity markets' gains were based on price appreciation in low priced securities. As this type of strong rebound in severely deflated stocks is historically almost unprecedented, there is concern that the period of correction from the highly excessive levels existing in early 2000 has more time and quite likely more downside to run. Together with a highly indebted U.S. consumer (2/3 of GNP), and massive U.S. fiscal and balance of payments deficits, it will likely mean a continually challenging environment for good investment returns.

Your Pension Plan

Your Plan is a "defined benefit" plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. Being a defined benefit plan means that a fixed percentage of salary is contributed yearly by participating members. For these contributions, pension benefits are earned. While some employers presently contribute bi-weekly, others are obligated to fund their share of benefits paid in the future.

Investment returns are not directly related to the amount of pension a member will receive. Good investment returns, however, are necessary to secure the Fund's ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

The Plan allows for retirement after age 55 assuming the member has at least ten years of qualifying service. Unless the person is age 60 or older, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive a pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings under the Canada Pension Plan in each of two successive calendar years).

Member Services

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

1. Individual Meetings
   Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. Technology permits services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. Pre-Retirement Planning Seminars
   The pre-retirement planning seminar program is a one-day session designed for employees who are beginning to plan for retirement. They are presented in major centers throughout Manitoba for groups of 15 to 50 people, and we encourage members to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board, although the presentation and course materials also include information on Federal benefits, estate planning, use of leisure time, and health considerations.

3. Employee Pension and Insurance Seminars
   The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the government and its related boards, commissions, and agencies, and last for two to three hours.

4. Personal and General Enquiries
   Board staff are available to answer questions by way of phone and written communication.

5. Electronic Communications
   The Board has a website and online web estimator, allowing members to view general information and get detailed personalized information at their convenience.

Highly qualified staff are available to meet your information needs with respect to enrollment, retirement, disability, termination and pension projections for estate and retirement planning.

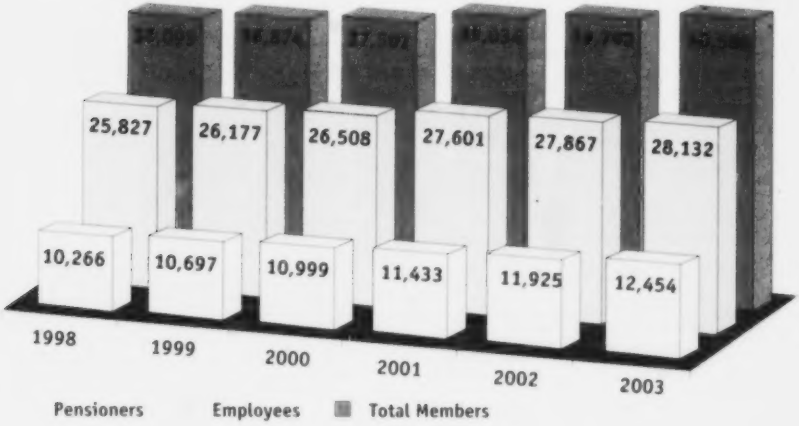
We ask that you have your employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

Members/Retirements

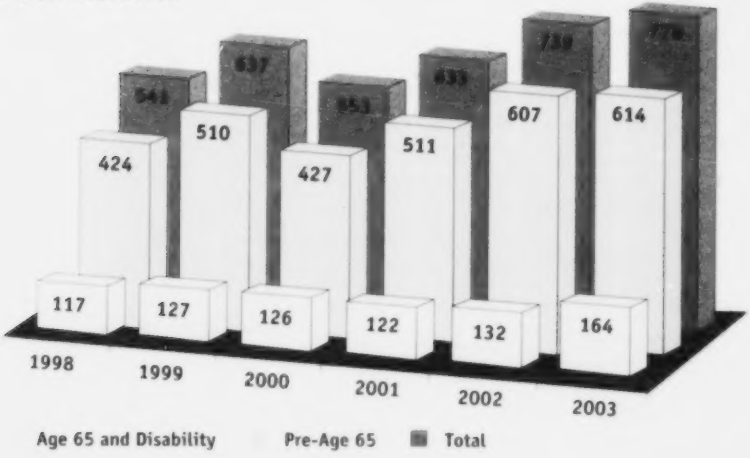
During 2003

- total members increased by 794 to 40,586
- employees/former employees participating in the Fund increased by 265 to 28,132
- pensioners/beneficiaries increased by 529 to 12,454

Total Members



Retirements



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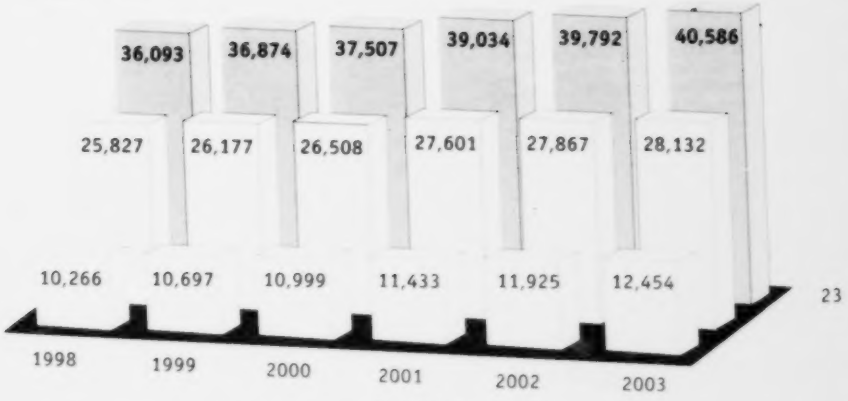
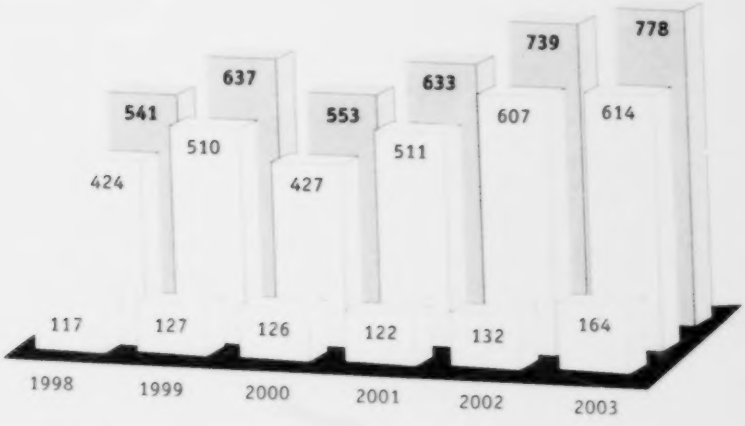




Employees/Former Employees

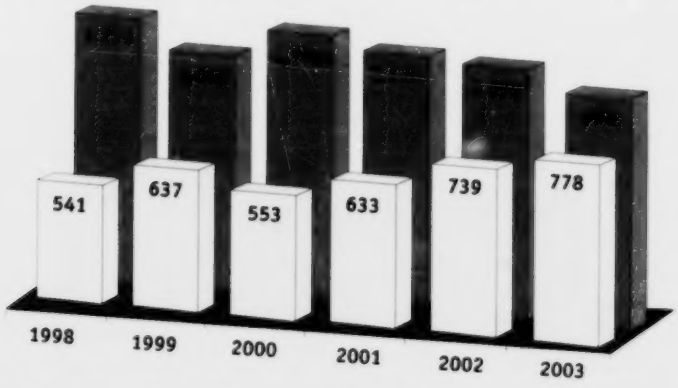
The distribution of employees/former employees by employer as at December 31, 2003 was as follows:

	Males	Females	Total
Non Matching Employers			
Province of Manitoba Civil Service	6,979	7,135	14,114
Manitoba Hydro-Electric Board	3,867	1,225	5,092
Manitoba Public Insurance	662	721	1,383
Red River College	488	532	1,020
Liquor Control Commission	276	230	506
Assiniboine Community College	124	158	282
Addictions Foundation of Manitoba	80	182	262
Keewatin Community College	92	135	227
The Legal Aid Services Society of Manitoba	45	91	136
Manitoba Agricultural Credit Corporation	33	32	65
Manitoba Centennial Centre Corporation	39	14	53
Teachers' Retirement Allowances Fund Board	7	25	32
Communities Economic Development Fund	11	6	17
The Council on Post-Secondary Education	2	9	11
Manitoba Horse Racing Commission	2	2	4
Regional Health Authorities			
Brandon	71	213	284
Winnipeg	26	245	271
Central	26	105	131
Assiniboine	14	98	112
Parkland	19	77	96
Interlake	9	81	90
Nor-man	1	33	34
North Eastman	4	29	33
South Eastman	4	28	32
Burntwood	1	22	23
Total Non Matching	**12,882**	**11,428**	**24,310**
Matching Employers			
Manitoba Housing Authority	178	125	303
Manitoba Crop Insurance Corporation	168	79	247
Manitoba Government and General Employees' Union	26	35	61
Civil Service Superannuation Board	21	24	45
Manitoba Lotteries Corporation	15	17	32
Industrial Technology Centre	20	7	27
Manitoba Milk Producers	7	16	23
Manitoba Pork Marketing Co-op Inc.	11	11	22
National Agri-food Technology Centre	7	10	17
Manitoba Pork Council	8	7	15
Gaming Control Commission	8	4	12
Manitoba Arts Council	–	8	8
Crown Corporations Council	2	3	5
Manitoba Chicken Producers	1	4	5
Manitoba Turkey Producers' Marketing Board	–	3	3
Manitoba Hazardous Waste Management Corporation	1	–	1
Total Matching	**473**	**353**	**826**
Other			
Deferred Pension Accounts	1,234	1,397	2,631
Manitoba Reciprocal Agreements	115	74	189
L.T.D. Recipients	56	116	172
Pending Reciprocal Agreements	–	4	4
Total Other	**1,405**	**1,591**	**2,996**
TOTAL	**14,760**	**13,372**	**28,132**

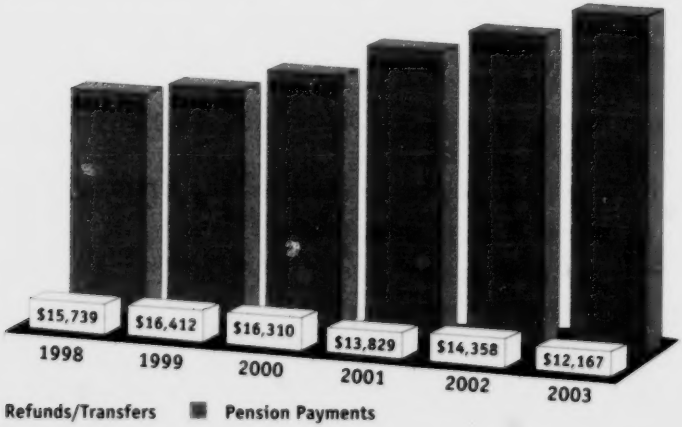
Paying Your Benefits

- 12,454 pensioners/beneficiaries were receiving pension benefits at the end of 2003
- $166.7 million was paid in pensions during 2003

Members No Longer Contributing



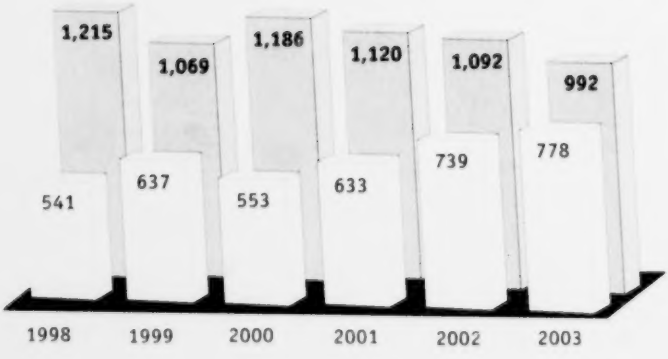
Payments From The Fund ($Thousands)



Paying Your Benefits

12,434 pensioners/beneficiaries were receiving pension benefits at the end of 2003

$166.7 million was paid in pensions during 2003



Employee Contributions/ Employer Payments

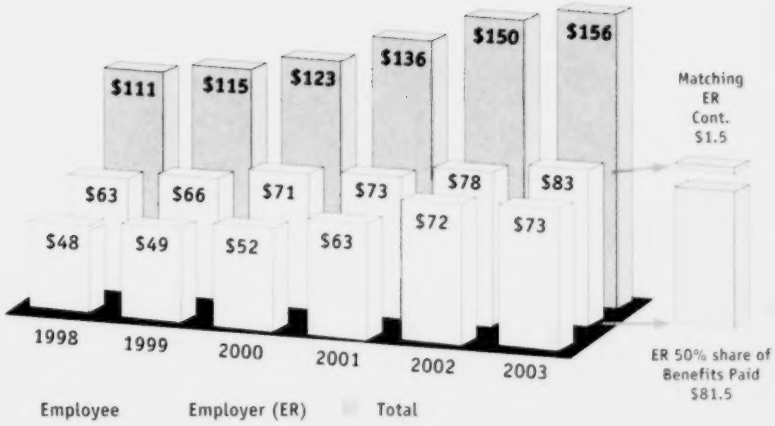
employees contributed $72.7 million to the Fund compared to $71.5 million in 2002

employers paid $83.1 million to the Fund compared to $77.8 million in 2002

89.8% of your contributions fund basic pension and beneficiary benefits

10.2% of your contributions are allocated for cost-of-living benefits

Contributions and Payments



You and your employer share in the cost of the Plan. Each year you contribute the following:

6% up to Canada Pension Plan maximum earnings ($39,900 in 2003)

7% on earnings in excess of that amount

Employer payments include

approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers

payments made by matching employers

Employee Contributions/ Employer Payments

- employees contributed $72.7 million to the Fund compared to $71.5 million in 2002
- employers paid $83.1 million to the Fund compared to $77.8 million in 2002
- 89.8% of your contributions fund basic pension and beneficiary benefits
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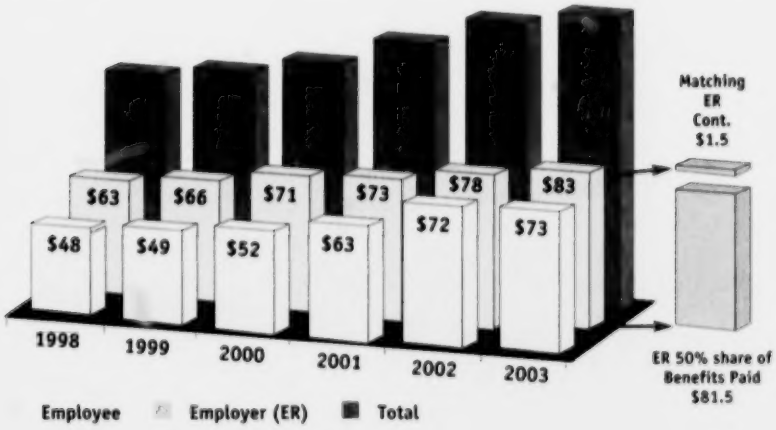
Contributions and Payments ($Millions)



You and your employer share in the cost of the Plan. Each year you contribute the following:

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- 7% on earnings in excess of that amount

Employer payments include

- approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers
- payments made by matching employers

Cost-of-Living Allowance

- 10.2% of employee contributions and matching employer payments go to a separate indexing account to fund COLA
- the account funds approximately half the COLA increase while employers pay their share
- pensioners and beneficiaries receive an annual increase to a maximum of 2/3 of the increase in the Canadian Consumer Price Index (CPI)
- the COLA paid July 1, 2003 was 2.89%

COLA Concerns

At the May 22, 2003 Board meeting, the Board's actuary reported on the status of the COLA program. As a result of this report, the Board directed the General Manager and the Actuary to jointly write a letter to the parties who are responsible for negotiating changes to the Act expressing the Board's concerns with the continued viability of the program. A letter was sent to the Employer Advisory Committee and the Employee Liaison Committee with a copy to the Minister Responsible. The letter indicated that without changes to the current COLA program, sustainable indexing may not be possible over the next 10 years. Maintaining the viability of the COLA program will require some form of restructuring. Various alternatives are currently being reviewed.

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by

- investment income
- employee contributions
- employer payments

These assets are used to finance the payment of the Fund's portion of the basic pension, the indexing benefits, and the employers' share for several matching employers.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts

1. Basic Benefits Account
   - finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account
   - has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
   - 10.2% of employee contributions and matching employer payments are credited annually to this Account

   The cost-of-living benefit payments are limited to the extent that the indexing account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to 2/3 of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2003 are summarized below.

(IN THOUSANDS)	Fund	Non-Matching Employers	Obligations Total
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	$2,274,405	See Note Below	
Indexing Benefits Account	**135,945**		
Total	**$2,410,350**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (including future benefits)	$2,270,472	$1,768,889	$4,039,361
Indexing Benefits Account	**114,723**	**109,200**	**223,923**
Total	**$2,385,195**	**$1,878,089**	**$4,263,284**
3. Actuarial Position/Funds Available			
Basic Benefits Account	$ 3,933	See Note Below	
Indexing Benefits Account (funds available to finance future adjustments)	**21,222**		
Total	$25,155		

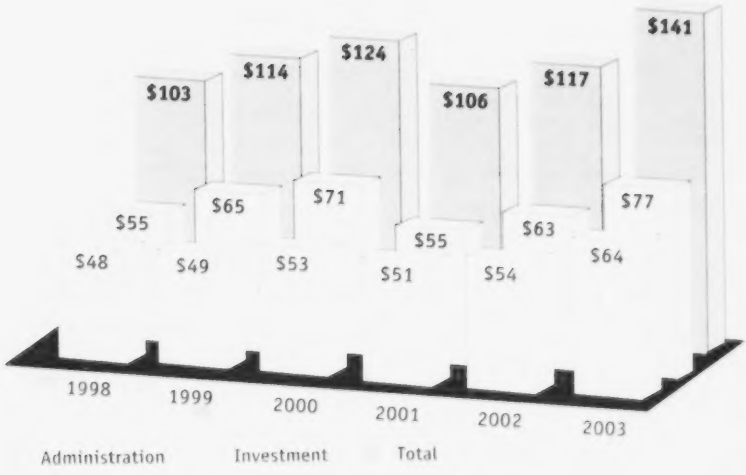
Please refer to Notes 4 and 5 of the Audited Financial Statements for additional information.

Note: The non-matching employer's portion of the pension liability is unfunded for most employers.

Please refer to Schedule 2 of the Audited Financial Statements for additional information.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest for complex defined benefit plans. The total annual cost per member for 2003 was $141 consisting of $64 for administration and $77 for investment related expenses.



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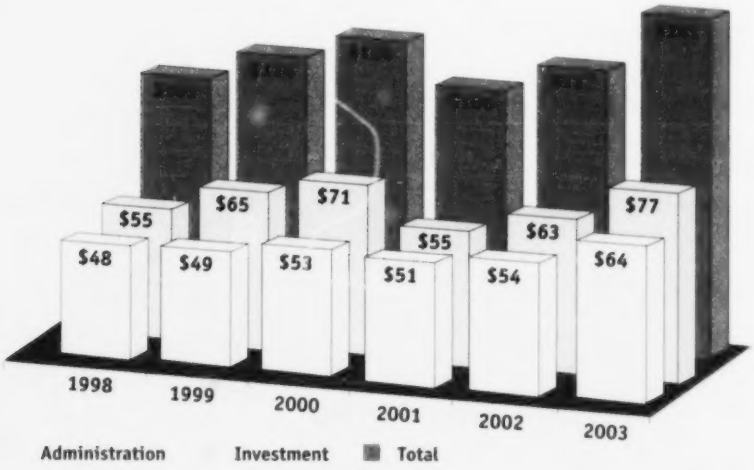
Annual Cost Per Member



Six-Year Comparative Statistics *for The Civil Service Superannuation Fund*

Highlights ($) THOUSANDS	1998	1999	2000	2001	2002	2003
Market Value of Investments	$1,839,504	$1,965,239	$2,140,549	$2,240,470	$2,300,348	**$2,625,553**
Investment Rate of Return	8.5%	7.8%	9.8%	5.1%	1.5%	13.4%
Employee Contributions	$48,096	$49,308	$52,250	$63,601	$71,526	**$72,744**
Employer Payments	62,712	65,911	70,693	72,642	77,794	83,080
Total Contributions/Payments	$110,808	$115,219	$122,943	$136,243	$149,320	**$155,824**
Pension Benefits Paid	$113,721	$118,724	$129,437	$144,034	$154,417	**$166,733**
Refunds and Transfers	$15,739	$16,412	$16,310	$13,829	$14,358	$12,167
Administrative Expenses	$1,716	$1,671	$1,973	$1,803	$2,127	**$2,588**
Investment Expenses	$1,980	$2,398	$2,664	$2,164	$2,490	$3,142
Employees and Former Employees	25,827	26,177	26,380	27,601	27,867	**28,132**
Pensioners and Beneficiaries	10,266	10,697	10,999	11,433	11,925	12,454
Total Members	36,093	36,874	37,379	39,034	39,792	**40,586**
Refunded/Transferred Members	1,215	1,069	1,186	1,120	1,092	992
Retirements	541	637	553	633	739	**778**

Management Report

The accompanying financial statements of the Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to February 27, 2004.

The firm of Ellement and Ellement Ltd., consulting actuaries, has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Auditor General performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

ROBERT H. COVERNTON
General Manager

ALLEN BORLE
Director, Finance

Report of the Office of the Auditor General
ON THE CIVIL SERVICE SUPERANNUATION FUND

Office of the Auditor General
500 – 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

Auditor's Report

To the Legislative Assembly of Manitoba and
To the Members of the Civil Service Superannuation Plan

We have audited the statement of net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2003 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
February 27, 2004

EXHIBIT A
THE CIVIL SERVICE SUPERANNUATION FUND

Statement of Net Assets Available for Benefits

AS AT DECEMBER 31, 2003

($) THOUSANDS	2003	2002
ASSETS		
Investments, Schedule 1, Note 2(b)	$2,625,553	$2,300,348
Equipment	47	63
Debt due from the Province of Manitoba, Note 7	1,826	1,826
Receivables	1,174	1,803
Accrued dividends and interest	13,175	15,839
Total assets	**2,641,775**	2,319,879
LIABILITIES		
Accounts payable and accrued liabilities	4,033	1,182
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 11	121,027	73,688
Manitoba Telecom Services Inc. in trust, Note 14	63	63
Correctional Officers' Trust Account, Note 8	2,456	1,921
Employer Trust Accounts, Note 9	34,299	30,116
Money Purchase Accounts Plan, Note 10	9,055	7,954
Total liabilities	**170,933**	114,924
Net assets available for benefits, Exhibit B	$2,470,842	$2,204,955

Chairperson of the Board

Chairperson, Finance and Audit Committee

EXHIBIT B
THE CIVIL SERVICE SUPERANNUATION FUND

Statement of Changes in Net Assets Available for Benefits

FOR THE YEAR ENDED DECEMBER 31, 2003

($) THOUSANDS	2003			2002
	Basic Benefits Account	Indexing Benefits Account	Total	Total
Increase in assets				
Contributions, Schedule 2, Note 1(b)				
Employees	$65,759	$6,985	$72,744	$71,526
Employers	82,909	171	83,080	77,794
Total contributions	148,668	7,156	**155,824**	149,320
Net investment income, Schedule 3	70,282	18,193	88,475	103,158
Current period change in fair value of investments	202,014	–	202,014	(74,802)
Other	75	–	75	74
Total increase in assets	421,039	25,349	**446,388**	177,750
Decrease in assets				
Pension benefits paid	155,173	11,560	166,733	154,417
Refunds and transfers	12,167	–	12,167	14,358
Administrative expenses, net, Note 12	1,349	–	1,349	1,111
Transfer to employer trust accounts	252	–	252	199
Total decrease in assets	168,941	11,560	**180,501**	170,085
Increase in net assets	252,098	13,789	**265,887**	7,665
Net assets available for benefits at beginning of year	2,059,434	145,521	2,204,955	2,197,290
Increase in net assets	252,098	13,789	**265,887**	7,665
Net assets available for benefits at end of year, Exhibit A	$2,311,532	$159,310	**$2,470,842**	$2,204,955

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

1. Description of Plan

The following description of the Civil Service Superannuation Plan (the "Plan") is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the "Act").

(a) General

The Civil Service Superannuation Board (the "Board") and the Civil Service Superannuation Fund (the "Fund") were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

The Act requires that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is at 5.1% on pensionable earnings up to the CPP maximum pensionable earnings and 7% of pensionable earnings above that maximum each year.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. However, non-matching employers are not billed for the cost of the pension formula improvement implemented in 2000. Matching employers similarly do not contribute toward the 2000 pension formula improvement.

The Fund's net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund's portion of the Plan's actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers' portion of the obligation for pension benefits as shown in Note 4 is unfunded.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against the Basic Benefits Account. The recovery of the non-matching employers' share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

(c) Pension Calculation

The lifetime pension calculation equals:

(i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service.

(ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

(d) Excess Contributions

On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(e) Retirement

A member with ten or more years of qualifying service is eligible to retire at age 55.

A member with one or more years of qualifying service is eligible to retire at age 65.

All members must commence pension benefits no later than the last day of the calendar year in which the member attains 69 years of age.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50.

(f) Disability Pensions

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) Survivor's Benefits

A survivor's benefit is payable to a spouse or eligible survivor(s) of a member who dies with two or more years of qualifying service.

(h) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

(i) Withdrawal Refunds

Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members with two or more years of qualifying service may choose to leave their contributions in the Plan as a vested member.

(j) Income Taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

(k) Money Purchase Accounts Plan

The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation

The financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles. They are prepared to assist participants and others in reviewing the activities for the fiscal year.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

(b) Investments

Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

Fixed Income

(i) Short-term investments are valued at cost, which approximates market and short-term equivalents are valued at market by independent sources.
(ii) Bonds and debentures are valued at market by independent sources.
(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

Equity

(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.
(ii) Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.
(iii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.
(iv) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.
(v) The Fund has subsidiaries, which are not consolidated but are included in the Summary of Investments, Schedule 1. Included in real estate shares are shares of fifteen subsidiaries whose value in aggregate totals $116,373. Included in petroleum and natural gas shares are shares of one subsidiary valued at $73,106.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the current period change in fair value of investments. Revenue and expense transactions are translated at

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(e) Equipment

Computer equipment costing less than one thousand dollars and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation and to obtain the best possible return at acceptable risk, the Board established an investment asset mix policy of 45% fixed income and 55% equity.

The term to maturity and related market values of fixed income investments are as follows:

Term to maturity	2003	2002
Less than one year	$ 158,620	$ 133,563
One to five years	355,940	336,484
Over five years	715,974	664,786
Total fixed income investments	**$1,230,534**	**$1,134,833**

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. For example, 95% of bonds and debentures must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2003 external fund managers have not entered into any forward foreign exchange contracts (2002 – $5,795) on behalf of the Fund.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

4. Obligations for Pension Benefits

(a) Obligation for pension benefits

(i) Basic Benefits Account

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

The triennial Actuarial Valuation Report on the Fund was completed as at December 31, 2001 by Ellement and Ellement Ltd., consulting actuaries.

The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2003. The principal components of the changes in actuarial present value during the year were calculated and are as follows:

Basic Benefits Account

	Fund 2003	Non-Matching Employers 2003	Total 2003	Total 2002
Actuarial present value of accrued basic pension benefit obligations based on service to date, beginning of year	$2,009,531	$1,619,376	$3,628,907	$3,396,087
Benefits accrued	71,091	57,731	128,822	126,943
Benefits paid	(84,683)	(82,909)	(167,592)	(158,353)
Interest on accrued benefits	135,185	108,458	243,643	228,175
Change in actuarial reserves	20,959	17,020	37,979	36,055
Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year	$2,152,083	$1,719,676	$3,871,759	$3,628,907

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. Non-matching employers are not billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Report and the estimate at December 31, 2003 were based on the same set of assumptions. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information. In accordance with the methodology set out in the triennial actuarial valuation, the actuary has phased in some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation.

Significant long-term actuarial assumptions used in the December 31, 2001 Valuation and in the determination of the present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(i) inflation component	2.75%
(ii) real rate of return	4.00%
	6.75%
Annual salary escalation rates	
(i) general increases	
a) inflation component	2.75%
b) productivity component	0.75%
	3.50%
(ii) service, merit and promotional increases*	

*the rates used vary by age groupings from a high of 3.0% to a low of 0%

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

(ii) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 2001. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2003 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 6.25%.

Indexing Benefits Account

	Fund	Non-Matching Employers	Total	Total
	2003	2003	**2003**	2002
Actuarial present value of accrued indexing pension benefit obligations, beginning of year	$98,803	$94,047	**$192,850**	$189,462
Cost-of-living accrual effective July 1	19,193	18,269	37,462	7,554
Benefits paid	(11,560)	(11,004)	**(22,564)**	(20,731)
Interest on accrued benefits	7,014	6,676	13,690	11,666
Change in actuarial reserves	1,273	1,212	**2,485**	4,899
Actuarial present value of accrued indexing pension benefit obligations, end of year	$114,723	$109,200	$223,923	$192,850

(b) Fund's Asset Valuation

The actuary adjusts net assets available for benefits to smooth investment gains (losses) over five years and to recognize amounts reserved for future indexing benefits.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

The actuarial asset values used in the estimate of the Fund's pension obligations were:

	Basic Benefits 2003	Indexing Benefits 2003	Total 2003	Total 2002
Net assets available for benefits, Exhibit B	$2,311,532	$159,310	$2,470,842	$2,204,955
Amount reserved for future indexing benefits	—	(18,551)	(18,551)	(20,406)
Adjustment for the actuarial value of assets	(37,127)	(4,814)	(41,941)	59,913
Actuarial value of net assets available for benefits	$2,274,405	$135,945	$2,410,350	$2,244,462

5. Additional Actuarial Information

(a) Total Actuarial Pension Liabilities For The Basic Benefits Account

The actuary determines the actuarial liability for net future service as a component in the actuarial valuation completed for funding purposes. The total actuarial Basic Benefit pension liabilities at December 31, 2003 have been estimated based on service to date and net future service as follows:

	Fund 2003	Non-Matching Employers 2003	Total 2003	Total 2002
Service to date, Note 4	$2,152,083	$1,719,676	$3,871,759	$3,628,907
Net future service	118,389	49,213	167,602	155,465
Total actuarial pension liabilities	$2,270,472	$1,768,889	$4,039,361	$3,784,372

(b) Basic Benefits Actuarial Position (Fund Only)

The Fund had an estimated going concern actuarial surplus of $3,933 as at December 31, 2003 (2002 – in balance) in the Basic Benefits Account, after including pension benefit obligations for service to date and for future service actuarial liabilities.

(c) Indexing Benefits Actuarial Surplus (Fund Only)

The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be $21,222 as at December 31, 2003 (2002 – $26,312).

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

6. Employer Assets Provided for Pension Obligations

Readers should refer to the latest audited employer financial statements, including financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund pension obligations.

7. Debt due from the Province of Manitoba

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of $1,826 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

8. Correctional Officers' Trust Account

Effective November 19, 1996 employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater.

9. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

10. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board.

11. The Province of Manitoba Unfunded Pension Liability Trust Account

The Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act (the Act) came into effect on August 18, 2000. This Act requires the Province of Manitoba (the Province) to establish a fund and to make payments to the established fund.

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a fund with the Board and the Province is making the required payments to this fund. As well, the Province is making payments to this fund that are related to the Special Operating Agencies unfunded pension liabilities. Payments received by the Board from the Province are held by the Board in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account. This trust account earns investment income at a rate of return equal to the rate of return earned by the Fund. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

12. Administrative Expenses

	2003	2002
Salaries and fringe benefits	$2,545	$2,192
Professional fees	**242**	**107**
Office and administration	776	779
	3,563	**3,078**
Less: recoveries from other administered funds		
regular administration	(975)	(943)
one-time administrative recoveries	–	(8)
Fund administrative expenses	**2,588**	**2,127**
Less: recoveries from non-matching employers	(1,239)	(1,016)
Administrative expenses, net	**$1,349**	**$1,111**

13. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

	2003	2002
The Manitoba Hydro Pension Fund	**$532,118**	$469,633
Joint Board of Trustees of The Municipal Employees Benefits Program	311,733	276,299
The Public Service Group Insurance Fund	**115,758**	102,356
Centra Gas Manitoba Inc.	50,157	45,412
Workers Compensation Board of Manitoba	**11,935**	10,121
	$1,021,701	$903,821

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2003
($) THOUSANDS

14. Privatization of the Manitoba Telephone System

On January 1, 1997, Manitoba Telephone System became a publicly traded corporation named Manitoba Telecom Services Inc. (MTS) and it assumed all responsibility for pension benefit payments for its employees and former employees. The transfer of assets to the new MTS plan was negotiated in the amount of $423,946 and was determined in accordance with the Pension Assets Transfer regulation, based on the December 31, 1996 actuarial valuation of the Fund. The Board continues to administer, on behalf of MTS, certain investments, which were included in the value of assets transferred to MTS.

15. Comparative Figures

Comparative figures for the year ended December 31, 2002 have been restated to conform to the presentation adopted for the current year.

SCHEDULE 1
THE CIVIL SERVICE SUPERANNUATION FUND

Summary of Investments

AS AT DECEMBER 31, 2003

($) THOUSANDS	2003	2002
Fixed income investments		
Cash and Short term		
Government and corporations	$137,974	$123,931
Bonds and debentures		
Pooled fund	1,052,745	964,662
Mortgages		
National Housing Act (Canada)	3,769	5,501
Other	4,055	7,323
Pooled funds	–	665
Index-linked	31,991	32,751
Total fixed income investments	**1,230,534**	**1,134,833**
Equity investments		
Pooled funds		
Domestic	586,952	486,996
Foreign	518,416	407,140
Real estate		
Participating bonds	67,609	67,071
Shares, Note 2(b)(v)	144,127	137,268
Units of pooled real estate	206	206
Administered for		
Manitoba Telecom Services Inc., Note 14	63	63
Petroleum and natural gas shares, Note 2(b)(v)	73,106	63,277
Venture capital	4,540	3,494
Total equity investments	**1,395,019**	**1,165,515**
Investments, Exhibit A	**$2,625,553**	**$2,300,348**

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2003

($) THOUSANDS	2003			2002
	Employers	Employees	Total	Total
Non-matching employers, Note 1(b)				
Province of Manitoba Civil Service	$57,357	$35,208	$92,565	$88,497
Manitoba Hydro-Electric Board	20,066	17,655	**37,721**	35,073
Liquor Control Commission	2,051	1,116	3,167	2,944
Manitoba Public Insurance Corporation	2,087	3,807	**5,894**	5,489
Addictions Foundation of Manitoba	398	615	1,013	1,010
Communities Economic Development Fund	66	54	**120**	118
Community Colleges:				
Assiniboine Community College	–	756	756	714
Keewatin Community College	–	641	641	616
Manitoba Agricultural Credit Corporation	168	172	**340**	344
Manitoba Centennial Centre Corporation	229	109	338	374
Manitoba Horse Racing Commission	7	8	**15**	14
Red River College	–	2,758	2,758	2,628
Regional Health Authorities				
Assiniboine	–	297	**297**	–
Brandon	–	801	**801**	775
Burntwood	–	50	**50**	53
Central	–	341	**341**	345
Interlake	–	260	**260**	259
Marquette	–	–	**–**	135
Nor-Man	–	94	**94**	101
North Eastman	–	92	**92**	96
Parkland	–	279	**279**	266
South Eastman	–	106	**106**	110
South Westman	–	13	**13**	155
Winnipeg	–	799	**799**	836
Teachers' Retirement Allowances Fund Board	71	93	164	164
The Council on Post Secondary Education	46	31	**77**	76
The Legal Aid Services Society of Manitoba	73	440	513	479
Workers Compensation Board	35	–	**35**	35
Total non-matching employers	$82,654	$66,595	**$149,249**	$141,706

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2003

($) THOUSANDS	2003			2002
	Employers	Employees	Total	Total
Total non-matching employers, continued	$82,654	$66,595	$149,249	**$141,706**
Matching employers, Note 1(b)				
Civil Service Superannuation Board	168	183	**351**	298
Crown Corporations Council	21	22	43	42
Economic Innovation and Technology Council	1	2	**3**	4
Gaming Control Commission	40	45	85	76
Industrial Technology Centre	67	76	**143**	176
Manitoba Arts Council	13	15	28	24
Manitoba Chicken Producers	10	12	**22**	21
Manitoba Crop Insurance Corporation	347	395	742	753
Manitoba Government and General Employees' Union	201	217	**418**	384
Manitoba Hazardous Waste Management Corporation	4	4	8	8
Manitoba Housing Authority	508	581	**1,089**	912
Manitoba Lotteries Corporation	95	106	201	200
Manitoba Milk Producers	50	57	**107**	97
Manitoba Pork Council	36	40	76	97
Manitoba Pork Marketing Co-op Inc.	49	55	**104**	66
Manitoba Turkey Producers' Marketing Board	5	6	11	11
National Agri-Food Technology Centre	40	45	**85**	88
Total matching employers	1,655	1,861	**3,516**	3,257
Other				
Employees on loan	5	5	10	3
Employees on workers compensation	-	9	**9**	4
Reciprocal agreement — transfers in	-	1,701	1,701	851
Reciprocal agreement — transfers out	(1,234)	(1,377)	**(2,611)**	(2,730)
Repayment of contributions previously refunded	—	76	76	117
Contributions based on prior non-pensionable employment	-	3,509	**3,509**	5,732
Transfer from Money Purchase Accounts Plan	—	365	365	380
Total other	(1,229)	4,288	**3,059**	4,357
Total contributions, Exhibit B	$83,080	$72,744	**$155,824**	$149,320

Schedule of Investment Income

FOR THE YEAR ENDED DECEMBER 31, 2003

($) THOUSANDS	2003	2002
Fixed income		
Short term	$3,566	$3,008
Bonds and debentures	59,704	59,169
Mortgages	3,123	3,539
Total fixed income	**66,393**	**65,716**
Equity income		
Common stock	–	62
Pooled funds	23,006	18,726
Real estate	13,047	15,951
Petroleum and natural gas shares	5,603	6,618
Total equity income	**41,656**	**41,357**
Gross investment income	**108,049**	**107,073**
Less:		
Investment management expenses, net, Note 13	3,142	2,490
Transfer to Province of Manitoba unfunded pension liability trust account	11,168	714
Transfer to Correctional Officers' trust account	275	21
Transfer to Employer trust accounts	4,011	355
Transfer to Money Purchase Plan accounts	946	308
Transfer to employee future benefits obligations	32	27
	19,574	**3,915**
Net investment income, Exhibit B	**$88,475**	**$103,158**

Manitoba

MANITOBA CIVIL SERVICE SUPERANNUATION BOARD

2003 REPORT TO MEMBERS

We are pleased to provide you with this summary of The Civil Service Superannuation Board's (Board) 2003 Annual Report. You can also request a copy of the Annual Report in its entirety by contacting the Board office, or it can be viewed on our website at www.cssb.mb.ca.

Highlights

	2003	2002
Financial ($ THOUSANDS)		
Market Value of Investments	$2,625,553	$2,300,348
Net Investment Income	$88,475	$103,158
Investment Rate of Return	13.4%	1.5%
Employee Contributions	$72,744	$71,526
Employer Payments	$83,080	$77,794
Pension Benefits Paid	$166,733	$154,417
Refunds and Transfers	$12,167	$14,358
Membership		
Employees and Former Employees	28,132	27,867
Pensioners and Beneficiaries	12,454	11,925
Total Members	40,586	39,792

Member Services

The Board offers the following services to members and their families:

- Individual Meetings
- Pre-Retirement Planning Seminars
- Employee Pension and Insurance Seminars
- Personal and General Enquiries

Highly qualified staff are available to meet your information needs.

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You may make an appointment to view any of the following at the Board office:

- a copy of The Civil Service Superannuation Act (the Act) and all amendments
- the Annual Information Return submitted each year to the Pension Commission of Manitoba
- a copy of the latest Actuarial Valuation Report

Message from the Chair

– Gary N. Coopland

Good governance is an essential component to the prudent management of any organization. The Board's main focus is on providing you with a superior benefits program both through outstanding administration and exemplary investment management. Investing can at times be quite a challenge and events around the globe certainly don't make it any easier. In 2003, we were impacted by SARS, mad cow disease, the war in Iraq and the strong Canadian dollar to name a few.

World events impact investment markets. Proper and prudent diversification of your pension fund assets go a long way to reduce the impact of such volatility. In 2003, the Fund's return of 13.4% earned it $23.5 million above Policy expectations. In the last three years alone, outstanding investment performance has garnered the Fund an additional $239.5 million.

The Board, through its real estate, mortgage, and venture capital holdings, continues to show a strong commitment to investing in Manitoba. We will, as in the past, review all Manitoba opportunities as they arise as long as they meet prudent investing standards.

The Board retains a team of administrative and investment professionals that possess the skills and requisite knowledge that provides you with a strong benefits program and investment returns. They work tirelessly in managing your Fund. With that in mind, on behalf of the Board and myself, I'd like to commend all Board staff for an excellent job in 2003.

General Manager's Message

– Robert H. Covernton

The ability to administer a pension plan in a cost-effective, efficient manner is becoming more challenging with the pressures of the investment markets, heightened demands from regulators, and increased expectations on the part of stakeholders and members of the Board. These challenges are met by a strong team of professionals that are encouraged to continue their growth through education and training programs, in addition to continuing their pursuit for advanced technological improvements.

More Online Services and options continue to be offered to our stakeholders, allowing you the comfort and flexibility to take time to review your benefit entitlements at your own leisure. Our team's dedication allows us to be responsive to your needs and provide improved cost-efficient benefits administration. On average, the turnaround time for your requests is about one to two days, very favourable when compared to our peers.

The Board's Investment Committee together with the Investment Management team strive to use their skills and a disciplined approach to optimize long-term investment returns, recognizing that they will periodically encounter difficult short-term markets. The Fund's return in 2003 was 13.4%, the best in the last seven years. Not only did the Fund experience significant gains during the year, but it was also one of the top six best performing funds of any Canadian pension fund in the Pension Investment Association's Survey in the prior year.

Increases in the value of the Plan are important to the ongoing success of any benefits administration. In addition, the Board's Administrative and Investment Management teams work together as an ideal complement to provide you with a solid benefits program. With this in mind, I'd like to thank each of the individuals that serve you everyday for their commitment to good governance and to the strength of your benefits programs.

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Online Pension Estimator

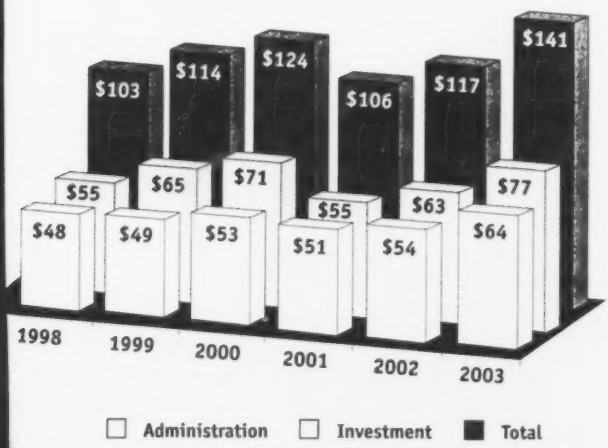
With over 4,300 registered members and over 75,000 pension and termination estimates completed, our Online Services has proven to be very popular.

To register, print the Online Services Registration Form from our website, complete it and return it to our office.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest for complex defined benefit plans.

Annual Cost Per Member

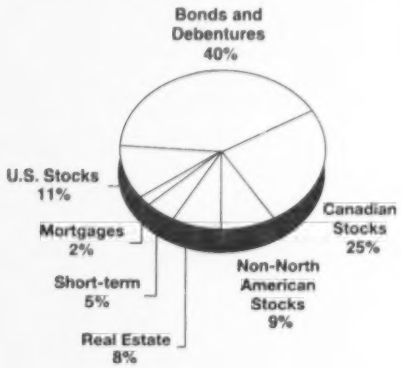


Investment Policies and Procedures

Investment decisions are based on the Fund's Statement of Investment Policies and Procedures (SIP&P) which is approved by the Fund's Board. The single most important determination of pension fund performance is asset mix. The SIP&P guides the actions of those who administer it to produce relatively high returns while assuming a relatively low degree of risk. Over the 20 years since the first formal policy was established, the Fund's investments have generally been successful in achieving these goals.

During 2004, the SIP&P will be reviewed by independent consultants. This process will assist the Board in assessing if its investment guidelines continue to meet today's needs.

Fund Investments



Investment Strategy Overview

After three dismal years, 2003 finally produced positive returns for equity markets. The removal of uncertainty surrounding war in Iraq, sizeable fiscal stimulus in the U.S. and very aggressive monetary policy in North America, the UK and Japan, all provided the impetus for the pickup in consumption. This had a strong impact on bottom line profits as companies generally avoided adding labour and continued to maintain costs by outsourcing.

Each asset class contributed to this year's outperformance. At the beginning of the second quarter, we created an emerging markets portfolio to compliment the Asian portfolio. This had a positive impact on returns, returning 37.7%.

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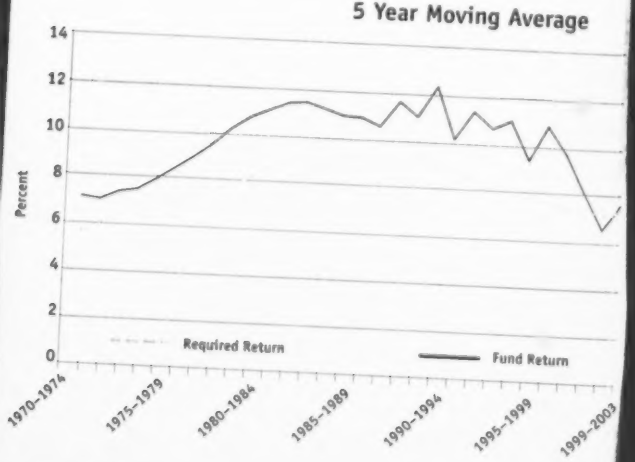
Underweighting non-Canadian assets added value as the strong Canadian dollar reduced Canadian dollar returns on these assets. Once again, all of our in-house managed portfolios made positive contributions to the Fund's outperformance. The Board's oil and gas arm, Superman Resources Inc., was quite active in 2003 with a major acquisition at mid-year and consequently a rationalization of the small, non-core properties. Good returns are expected to continue for this investment in the future.

While there was an underestimation of the strength of the rebound in equity markets last year, many long-term concerns remain in effect. It is unprecedented to see such a strong return to speculative assets so soon after the type of severe decline witnessed from 2000 to early 2003. Much of the various equity markets' gains were based on price appreciation in low priced securities. As this type of strong rebound in severely deflated stocks is historically almost unprecedented, there is concern that the period of correction from the highly excessive levels existing in early 2000 has more time and quite likely more downside to run. Together with a highly indebted U.S. consumer (2/3 of GNP), and massive U.S. fiscal and balance of payments deficits, it will likely mean a continually challenging environment for good investment returns.



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Calculation Methodology

The returns are time-weighted rates of return before fees and expenses. They are calculated in accordance with the methodology recommended by the Association for Investment Management and Research, and have been audited by Deloitte & Touche LLP.

Cost-of-Living Allowance

COLA Concerns

At the May 22, 2003 Board meeting, the Board's actuary reported on the status of the COLA program. As a result of this report, the Board directed the General Manager and the Actuary to jointly write a letter to the parties who are responsible for negotiating changes to the Act expressing the Board's concerns with the continued viability of the program. A letter was sent to the Employer Advisory Committee and the Employee Liaison Committee with a copy to the Minister Responsible. The letter indicated that without changes to the current COLA program, sustainable indexing may not be possible over the next 10 years. Maintaining the viability of the COLA program will require some form of restructuring. Various alternatives are currently being reviewed.

Board Members

Chair

GARY N. COOPLAND

Employee Representatives

BARRY BALTESSEN, Manitoba Hydro-Electric Board *(until Aug. 31, 2003)*

RAY ERB, MGEU

DENIS FITZPATRICK, Interlake Regional Health Authority *(until Aug. 31, 2003)*

KATHERINE JOHNSON, Industry, Economic Development, and Mines *(effective Sept. 1, 2003)*

BILL LOXTON, Manitoba Hydro-Electric Board *(effective Sept. 1, 2003)*

SUSAN RUSK, Intergovernmental Affairs and Trade

Employer Representatives

TOM BLEASDALE, Retiree

GABRIEL FOREST, F.C.A., Chartered Accountant

CARMELE PETER, Solicitor

DR. LES ULLYOT, Medical Doctor

As the Plan Trustee, the Board is required to

- manage the Fund in accordance with the rules of the Pension Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- obtain an actuarial valuation every three years
- regularly review its investment policy
- obtain an independent audit each year
- prepare an Annual Report
- ensure that the Board staff fulfill the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- delegate the day-to-day management to the General Manager and staff
- provide overall direction and approval of policy items

Civil Service Superannuation Board
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